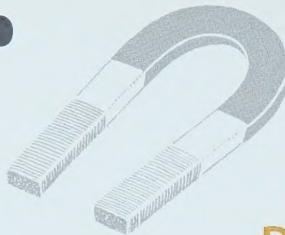


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SUBEO

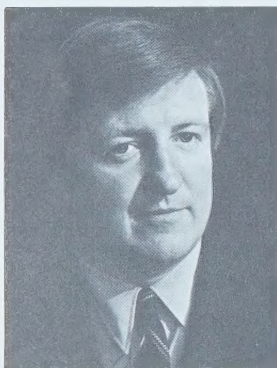


**ANNUAL REPORT
1968**



Drawing Power of a Dual Philosophy

*"No one has a patent on success in exploration . . .
the patent is on availability of risk capital;
and the Americans don't own the patent."*



*"There has been too much talk about problems of
foreign ownership and not enough action to
prove that Canadians can plan efficiently to take
advantage of the nation's abundance of resources,
technology, management and skilled hands."*

Denis J. Happy
president and founder
of SUBEO LIMITED

"To search down under" is the meaning of the Latin verb "Subeo"; and to perform this function on the broadest possible scale is the continuing purpose and function of SUBEO LIMITED.

Discovery is the objective, for it is here that the greatest immediate return on risk capital can be achieved. The creative imagination of the exploration man is at the root of important discoveries today. With possible rare exceptions in remote areas new mines will no longer be found lying handily on surface. The effective prospector of the 1960's has worked closely with the geophysicist and geologist; and these earth scientists in their turn must master the complexities of a new arsenal of sophisticated deep probing equipment.

Money alone will never corner the market on exploration men of the new breed. In fact the organizational complexity of the large resources concern frequently will repel a man of the caliber and temperament needed for mastery and activation of the discovery processes.

SUBEO thus keeps its organizational format lean and its operational style flexible so as to maintain and enhance its associations with growing numbers of determined seekers of mineral wealth.

But the company also conceptualizes on a broad enough scale to hold the interest of larger integrated organizations which are equipped to handle large capital developments, major engineering undertakings and broad-scale labor, marketing and management problems.

Between these poles — drawing upon individual exploration skills on the one hand and established capital/management pools on the other — there lies the realm of studied risks and high potential rewards in which SUBEO has developed its program for growth. Primary exploration for resources-development opportunities in Canada and the U.S. has been the company's basic function; but objectives range to ultimate exportation of advanced discovery techniques to emerging nations with untapped reserves of mineral wealth.

The viability of SUBEO's approach, as reflected in this report, attests to the gratifying tempo of achievement which can be attained when working directors and inspired associates have been granted the support of aggressive venture capital. In this respect the shareholders of SUBEO LIMITED are the central pioneers in this corporate departure.

Directors

DENIS JAMES HAPPY

Economist. Founded the organization after careers in banking, social work, investments, and natural resources analysis.

JOHN DRUMMOND LIPPENS

Stockbroker, security analyst and a recognized authority on natural resource equities. Mr. Lippens, a member of the Board since year of incorporation, has faithfully and vigourously contributed his time and talents to formulating corporate goals, planning and financing. He is an active working director and a member of the Executive Committee.

NATHAN EDWARD GOODMAN

Geologist, mining analyst, security analyst, a practicing investment partner in an investment consulting firm. Mr. Goodman's practicality, foresight, loyalty and judgement have served over the past year in the formation of corporate policy, planning and financing. He is an active working director and a member of the Executive Committee.

HARLOW HUTCHINS WRIGHT

Engineer. For many years active in both management and in a consulting capacity in the uranium industry. Mr. Wright is titular president of Radex Minerals Limited, a member of the Executive Committee and an active director in the company for the second year.

JOHN ALLISTER MACDONALD

Geologist. Recently elected to the Board of Directors, Mr. Macdonald has specialized in the field of uranium exploration. Now engaged fully as chief geologist-in-charge for all uranium exploration for the Subeo organization.

IRMA LEE BONNER SWALES

Geologist. A director since incorporation, currently raising a family and has continually brought a professional, practical and feminine wisdom to the Board.

WALLACE ALEXANDER MATHESON

Business Executive with many years experience in the publishing industry. Mr. Matheson is an active director and has during the past year served in an advisory capacity in public relations, bank relations and management technique.

Officers

DENIS JAMES HAPPY

President

IAN C. CAMPBELL, C.A.

Acting Secretary-Treasurer

Executive Committee

DENIS JAMES HAPPY

JOHN DRUMMOND LIPPENS

NATHAN EDWARD GOODMAN

HARLOW HUTCHINS WRIGHT

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Toronto

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DAY, WILSON, CAMPBELL
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LANG, MICHENER, CRANSTON,
FARQUHARSON & WRIGHT
Toronto

Registrar

GUARANTY TRUST CO. OF CANADA
Toronto, Montreal

Stock Listed

CANADIAN STOCK EXCHANGE
Montreal

Subsidiary Companies

RADEX MINERALS LIMITED
THE AMERICAN SUBEO CORPORATION

SUBEO LIMITED

Consulting Geologists

TRIGG, WOOLLETT & ASSOCIATES LIMITED
Edmonton 15, Alberta
C. M. Trigg, Ph.D., P.Eng.
George N. Woollett, P.Eng.

METALS, PETROLEUM & HYDRAULIC
RESOURCES CONSULTING LIMITED
Toronto, Ontario
E. D. Black, M.Sc.
W. J. Riddell, P.Eng.

DEREK JOHNSTON, P.Eng.
Dartmouth, Nova Scotia

TOM GLEDHILL, P.Eng.
Don Mills, Ontario

EDWARD A. HART, M.Sc., P.Eng.
Toronto, Ontario

L. G. PHELAN, M.A., Sc., P.Eng.
ROBERT LIARD, P.Eng.
Toronto, Ontario

STUART M. ROSCOE, Ph.D.
Ottawa, Ontario

W. E. BULMER, P.Eng.
Chatham, Ontario

M.E.M. CONSULTANTS LIMITED
Toronto, Ontario
Michael Zurowski, B.Sc., P.Eng.

A. Y. SMITH, B.Sc., P.Eng.
Ottawa, Ontario

Recognized as leading independent consultants in Western Canada. Organization is particularly strong in the field of uranium exploration. This firm is directing your subsidiary's Beaverlodge and Wollaston Lake, Alberta projects.

Headed up by E. D. Black, one of the leading exploration geologists in Canada, well supported by a group of qualified partners and associated engineers, geologists, geophysicists and geochemists. The firm is capable of offering an integrated service to any type of mineral project. M.P. & H.R. initiated and conducted the consulting work for the Arizona Project, the Blind River Project and the Otish Mountains Project and has carried out innumerable property evaluations.

Mr. Johnston, who makes his home in Nova Scotia, is a well qualified senior independent geologist who for many years practiced his profession in the Maritimes and in particular for a period of 5 years was Director of Mineral Explorations for the Province of Newfoundland. He is retained as chief geologist directing Project 'Necup', Newfoundland.

Formerly staff geologist with American Metal Climax, now practices as an independent geologist. Mr. Gledhill is retained to direct and carry out the Mt. Laurier Project and has acted in an advisory capacity in setting up 1969 exploration programs.

More than 20 years experience in the mining industry. Strong in the field of precious metals exploration and production, former chief of exploration for Denison Mines and currently practices as independent consultant. Mr. Hart is retained for property evaluations and recently was engaged to investigate the mineral potential in Ghana, Africa.

Both gentlemen are well recognized as independent consultants with a special bent toward primary exploration and pioneering new exploration techniques. This firm is presently in charge of the Radon 222 Surveys being carried out in Newfoundland.

Formerly of the Geological Survey of Canada. Presently practices as independent consultant. Internationally recognized as a leading authority on uranium exploration and potential in Canada. Dr. Roscoe is special consultant to Subeo on the Blind River Project and is currently engaged in the publication of an extensive report on Subeo's holdings. This report contains the work of 15 years of research on the Elliot Lake-Blind River Uranium Mining District.

Practicing as an independent petroleum consultant. Retained to carry out evaluation and feasibility reports and to supervise the Company's oil and gas projects in Southwestern Ontario.

Well established independent consulting group specializing in evaluation, Mr. Zurowski is retained to investigate and study the mineral potential of Newfoundland.

Formerly of the Geological Survey of Canada, now practicing as independent consulting geochemist, pioneer in the field of emanometry and in particularly in the Radon 222 technique. Mr. Smith is directly responsible for the Radon 222 surveys being carried out in Newfoundland.

The above list demonstrates collectively the technical resources and high level of technology available to industry showing that there is no reason why junior organizations cannot achieve technical excellence, if not superiority, in mineral exploration.

Each of the above groups and individuals practices as an Independent Consultant; and their respective services are available to the general industry. The Subeo Organization employs only a fraction of their available consulting capacity, only on specified projects and generally under a specific contract.

REPORT TO SHAREHOLDERS

"During the past year the Subeo Organization finalized 13 option agreements, completed 3 acquisitions and formed 7 new legal entities (companies, syndicates, grubstakes), sold 5 proposals to industry and currently has 31 more of such in the mill.



The time lag between reaching agreement in principle and formalizing is not quite as long as commencing an exploration program and making a discovery but almost . . ."



Generating an Implosion of Opportunities

Creating a clearing center that would attract a steady flow of discovery-oriented findings and theories was among objectives of your corporation when it was first formed; and it is gratifying in this regard to note that SUBEO's offices have been inundated over the past year with resources-based offers and proposals at a rate of roughly one per business day. This influx of new mineral showings, mining developments, oil and gas prospects, producing properties and mineral rights or concessions provides ideal raw material for the growth-generating processes which comprise SUBEO's operational format.

New inventions related to modern discovery technology were among more than 200 developments submitted for your company's consideration; and there were offers from corporations wishing to come under the SUBEO umbrella or seeking your company's involvement in mergers, share exchanges, partnerships, grubstakes, syndicates and new corporations to be formed.

Acquisitions at 2¢ per acre

Options to acquire mineral rights covering 18 of these proposals were taken under consideration and 13 option agreements were formulated. Five proposals are still in the process of negotiation and two were dropped. Covered by these agreements are mineral rights in five separate areas of North America in which your company conducts active exploration projects: the uraniferous areas of Alberta, the Blind River/Elliott Lake uranium camp of Ontario, Quebec's Mont Laurier uranium area and portions of Newfoundland and Arizona, U.S.A.

Areas covered involved 687,240 acres; and while the initial average cost of these optioned mineral rights was less than four cents per acre, SUBEO's direct share of acquisition costs was less than two cents per acre.

Heightened Participation with Radex

Except for new Blind River/Elliott Lake holdings — and Arizona ground which was drilled and dropped — all the above mineral rights were assigned to Radex Minerals Limited at cost. SUBEO retained first right of refusal to take a 50 per cent participation in the development of any Radex mineral discovery other than uranium.

To enhance its uranium position still further your company also took steps in March, 1968, to increase its interest in the Radex Uranium Syndicate from 16 per cent to 65 per cent. This was accomplished by means of a share exchange offer to original members of the Syndicate with 49,000 treasury shares having been issued.

Altogether, 16 such acquisitions of potential new assets — including capital and producing properties — were considered during the period. Three were completed, eight were dropped and five still are being considered or are under negotiation.

Working Capital Shows Threefold Gain

Although the latest step in your company's enhancement of its Radex participation was accomplished with a share exchange, cost of the transaction as

SUBEO LIMITED

carried on the books brings the year's commitments in this direction to \$305,350 — including the cost of 200,000 shares of Radex Minerals Limited at \$1 per share. SUBEO now holds 687,500 shares of Radex or 47% of the company and retains a 65 per cent interest in the Radex Uranium Syndicate. The latter's principal assets at December 31, 1968, were 1,023 claims (41,000 acres) in the Elliot Lake/Blind River uranium district of Ontario.

To cover costs of such expansion and enhance working capital position your company raised \$557,850 during the year through the sale of treasury shares.



"Air pollution delimits the ability of electric power utilities to keep relying upon fossil fuels to alleviate the over-taxing of hydroelectric resources in densely populated areas such as Southwestern Ontario and the New York, Chicago and Los Angeles environs. The rapidity of change in nuclear technology seems to have frozen many of the power industry's planners at their drafting boards — where fear, reluctance or inability to organize a sufficiently rapid evolution into the nuclear energy age threatens to leave them tragically short of product. It has been suggested authoritatively that some areas could thus be faced with electric power rationing within 36 months; and as such disruptions heighten public awareness of the problem there must come a time of greater industry concentration upon solutions. A harvest time will come for uranium explorer/developers who have kept playing their craft through the latest period of confusion and hesitancy."

Of shares sold, 75,000 were placed on an investment letter basis at \$2.25 per share. Proceeds assisted in boosting the company's working capital position to \$207,018 at December 31 — a threefold increase for the year.

Increasing Verschoyle Gas Position

In November, 1968, SUBEO increased its interest in the Verschoyle gas field from 50 to 100 per cent. Cost of the acquisition was \$65,000, but payment was deferred until November, 1971. Net investment in this field now stands at approximately \$85,000 excluding deferred acquisition costs with total future net revenue after full allowance for operating costs having been estimated at \$486,045. There are also possible additional reserves which could yield a further net profit of \$347,000.

A promising acquisition made after the year end involved an agreement to acquire approximately 40 per cent of Sheba Mines Limited. The 1.6 million outstanding shares of Sheba represent investments with a June 1 market value of \$170,000 plus 20 leased claims in Elliot Lake. SUBEO will acquire 650,000 presently escrowed shares of this company at a cost of less than 2 cents per share.

A joint exploration program, an underwriting and a change of management are covered by the agreement; and if contemplated financings and options take effect over the next 12 months Sheba will have working capital of roughly \$400,000 with SUBEO still retaining 25 per cent of the company.

Submissions to Prospective Partners

In its function as a packager of exploration concepts for further investigation on a risk-spreading joint venture basis, SUBEO submitted 28 proposals during the period to eight major companies, two of medium size and five other groups consisting of syndicates or smaller companies. Five of these proposals were accepted, two by major international concerns and three by other juniors.

Involved in completed agreements will be \$150,000 in expenditures on SUBEO-controlled properties plus other valuable considerations such as royalties,



"It has been said that committee decisions go to gray; and one of the Subeo management's points of pride has been the way individualists with special skills have gravitated to the company's board of directors and have eliminated any risk of gray-scale formulation. However, we see danger today that small companies which don't find ways to attract and hold creative directors are going to see them pulled away by changes in corporation and securities legislation and by the regulatory reactions of concerned professional associations. Increasing bureaucratic interjection into management function may be one result — along with a tendency to further ensconce and to insulate existing control groups from the opinions and judgements of non-controlling stockholders except where extreme circumstances require legal intervention. . . . Anxiety over conflict of interest may find too many companies acquiring disinterested directors; and where capital gains on options are taxed as income the high-bracket professional may find incentive lacking. The exploration industry in particular must maintain a dialogue concerning such problems with informed observers and progressive sectors of Government."

geological information and the benefits of association with major integrated developers and producers.

Another 14 proposals are outstanding at press-time for this report; and your company's management expects agreements concerning half of these to materialize during the current year. The most important of these proposals pertain to projects in

Blind River, Labrador and Newfoundland (Project NECUP) which are covered in greater detail in other parts of this report.

Formula For Growth in Oil and Gas

Growth entities which suddenly are springing into prominence in the Canadian and U.S. petroleum industries usually are companies which have reached the beginning of a self-generating expansion curve after years of careful grooming.

Ultimate success in this field is a function of an organization's ability to internally generate revenue which can be reapplied to the industry on a broad enough basis to yield an exponential growth rate in profits and producing assets.

The rate of net revenue which SUBEO has established from oil and gas operations is fully commensurate with its investment — with net operating revenue after operating costs expected to average \$40,000 yearly over the next decade as the result of a gross investment of \$230,000. However, to achieve a self-perpetuating growth curve in this industry usually calls for an investment of \$3 to \$5 million; so to put its own operations on this sort of footing will require for SUBEO at least a tenfold increase in net revenues.

To achieve such gains calls for an adventuresome policy — a point which was stressed in SUBEO's 1967 report, which de-emphasized the concept of low-risk, low-return ventures as inequitable during times of inflation. Your company presently has several drilling proposals out for farmout which potentially could yield a multi-well drilling program — the last quarter of the year generally being the period when such programs are initiated. Two farmouts which were drilled the past year were financed by partners and yielded inconclusive results whereby the properties were surrendered.

Acquisition or Reorganization

As efforts were continued through the year to expand exploration and development into more attractive areas, eight acquisitions and two mergers were taken under consideration. An important step toward possibly completing two of the proposed acquisitions

involved SUBEO's purchase of the remaining 50 per cent of the Verschöle field.

To accelerate progress to the point where the beginning of a self-generating growth curve is in sight, it will be necessary to increase exploration funds substantially so that greater numbers of opportunities may be approached directly. For the current year SUBEO has acquired a 10 per cent participation in a syndicate which plans to test drill a new discovery area shortly; and a proliferation of such activity is the company's objective.

Management is hopeful that through the year ahead it will be possible to make a substantial acquisition

of producing assets which could place the Oil & Gas Division on a financially independent operating basis. Alternatively, it may be necessary to reorganize the division in order to raise capital required to achieve this goal.



On behalf of the Board,
Denis J. Happy.



"Creating Radex Minerals Limited was Subeo's most important achievement in 1968. At the date of this report Radex ranks as one of the largest uranium exploration companies in North America, holding mineral rights on some five million acres and currently conducting and participating in several major programs. The exploration budget for 1969 alone will exceed \$400,000, half of which will be contributed by others."

SUBEO LIMITED

PROGRESS SINCE INCORPORATION January 10, 1966

OIL AND GAS EXPLORATION AND DEVELOPMENT	to Dec. 31, 1966	to Dec. 31, 1967	to Dec. 31, 1968	to Mar. 31, 1969
*Est. Proved Gas Reserves (million cubic feet)	676	1,296	1,973	1,948
*Est. Probable and Possible Gas Reserves (million cubic feet)	—	—	5,291	5,291
Natural Gas Production (million cubic feet)	—	42.0	30.5	24.8
Company-owned Gas Pipelines (2" o.d.) (in feet)	25,240	31,240	83,240	
Land Holdings — net acres	14,200	17,900	18,470	
Footage Drilled	16,310	31,110	34,834	
Wells Drilled — gross	12	24	25	
Net Gas Wells	6	13	15	
Current Oil and Gas Projects — exploratory drilling or development	3	3	5	6

MINERAL EXPLORATION AND DEVELOPMENT

**Mining Properties held (concessions, leases, claims or options to . . .)	—	6	58	66
**Number of acres		40,480	833,020	5,239,160
**Number of claims		1,037	2,152	3,676
Current Mineral Exploration Projects under Subeo Management	1	6	3	3
Current Mineral Exploration Joint Projects under Subeo Management	—	1	12	12
Current Mineral Exploration Joint Projects under Partner Management	—	—	1	1

FINANCIAL REVIEW

					Total
***Exploration and Administrative expense	162,371	174,187	233,119	6,242	575,919
Less Contribution by partners	28,500	153,550	77,371	—	259,421
Net expense	133,871	20,637	155,748	6,242	316,498
Mining Properties and assets acquired	22,103	36,752	156,728	27,008	245,591
Total expenditure	\$155,974	\$ 57,389	\$312,476	\$ 33,250	\$559,089
Working Capital	\$ 19,003	\$ 61,644	\$207,018	\$153,164	
Common shares issued	1,000,007	1,000,007	1,264,007	1,264,007	

FOOTNOTES

*Gas reserves reclassified and calculated by independent evaluation after allowance for production costs.

**All Uranium properties in Canada excepting the Elliot Lake — Blind River, Sudbury and Sault Ste. Marie Mining Districts have been assigned to the Company's uranium exploration arm, Radex Minerals Limited. In the event of a mineral discovery other than uranium, Subeo retains a first right of refusal to participate at cost in the development.

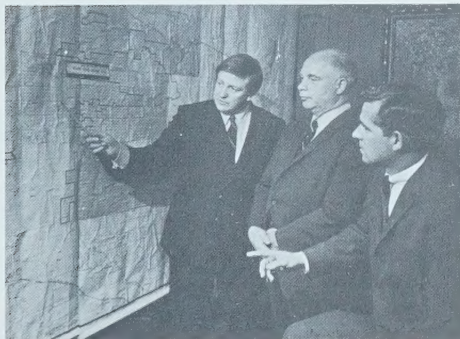
***Exploration and administration expenses are net after reduction from proceeds of gas sales.



and Uranium

Seeking Solutions Now for Pressing Supply Problems of Tomorrow

"Five years ago experts calculated that 300,000 tons of U_3O_8 could lie in favourable unexplored sectors of the Elliot Lake camp. In spending the last 3 years assembling the camp's largest land portfolio, Subeo has accumulated 130 square miles of ground, half of which consultants concede to be in the unexplored favourable category; and over the next 3 years this is the ground we will be drilling."



Subeo President Denis J. Happy discusses Elliot Lake prospects with two engineer directors of the Company — H. H. Wright, who is also President of Radex, and J. A. Macdonald — in charge of all uranium exploration for the parent company.

Members of the Utilities, Minerals Research and Investment communities who recently have adopted an apathetic view toward future uranium needs could be in for an early and abrupt awakening. This conviction of SUBEO management has just been fortified by a special report which classifies as "staggering" the average annual rate of discovery that will be required "even during the next two years".

Author of this report, commissioned to assist in coordinating SUBEO's approach to its growing participation in the Elliot Lake/Blind River uranium camp is consulting geologist, Dr. S. M. Roscoe . . . internationally recognized as a leading authority on uranium exploration and potential in Canada. A member for 18 years of The Geological Survey of Canada, Dr. Roscoe has spent some 15 years studying Elliot Lake deposits and prospects — describing the area as "world-dominant" in terms of uranium resources.

10 Per Cent of Most Favorable Area

Dr. Roscoe has estimated that areas explorable for uraniferous conglomerates in Elliot Lake total "no more than 900 square miles." He finds that 300 square miles of this area have been largely explored — mainly in the Quirke Syncline near the two major ore zones where the Denison, Rio Algom and other operating mines have been developed. "Most of the remaining 600 square miles . . ." Dr. Roscoe reports, "is in the area where SUBEO holds properties." He adds that: "More than half of these SUBEO holdings, totalling 130 square miles, may be considered as belonging to the unexplored favorable category, so SUBEO probably controls over 10% of the territory worth exploring for uraniferous conglomerates."

Dr. Roscoe names Cominco, Kerr McGee, Falconbridge, Denison, American Metal Climax, Pacific Petroleum and others as companies with ground near or bordering SUBEO properties, adding that "Cominco, Kerr McGee and Subeo have the most extensive holdings in the area and probably also in the Huronia belt as a whole."

Major Source of Readily Available U_3O_8

Host materials of this rich Huronian belt are pyritic,

quartz pebble conglomerate beds in ancient Precambrian rocks. About half the total known uranium reserves of non-Communist countries — estimated at approximately 800,000 tons — exist in such conglomerates; and resources of this type are equally divided between the Witwatersrand conglomerates of South Africa and the Huronian conglomerates of the Elliot Lake (Blind River) area near the north shore of Lake Huron in Ontario, Canada.

There was a time during early efforts to depress the price of uranium when South Africa was held out as an ideal source. But here uranium exists primarily in gold deposits which contain only a fraction of the uranium per ton which is present in the Elliot Lake ores. So South African Uranium can only be recovered as a by-product of gold production; and the outlook here has recently been beclouded as gold prices have dropped in Paris in the face of proposals concerning international establishment of a paper-gold equivalent.

U.S. uranium reserves have been estimated to total 310,000 tons; but 120,000 tons out of this figure exists in conjunction with phosphate fertilizer and copper production and all of it may not be recoverable in this century.

Discovery Must Increase by Multiples

So reasonably assured recoverable reserves in the U.S. now total only 161,000 tons or less than the 200,000 estimated to exist in Elliot Lake. This is why the key Canadian producing area where SUBEO has centered its uranium exploration activities is known widely as the Middle East of the nuclear fuel industry. But even the tonnages presently visible here pale into insignificance when one considers that some estimates (see April, 1968, *Journal of the British Nuclear Energy Society*) have placed *annual requirements* in the vicinity of 230,000 tons by the year 2000.

Since the location and recovery of such quantities of uranium is now an unthinkable task, much long-range reliance must be placed upon the development of breeder reactors which in time may be able to generate their own fuel requirements. Dr. Roscoe has reported to SUBEO that optimum success in the development of such reactors could stem the upward tide of demand by about 1985 with U.S. requirements then stabilizing at around 43,000 tons per year. "The comparable peak for the non-communist world as a whole," states Dr. Roscoe, "is between 90,000 and 125,000 tons per year by 1994."

In the interim Dr. Roscoe projects expansion of uranium consumption at a rate of 5,000 to 8,000 tons per year and states that to support such a rise will call for a discovery rate roughly eight times this high — or 40,000 to 65,000 tons of U_3O_8 per year. This is because "a reasonably long production period must be foreseen in order to justify and amortize the capital expenditures required for production facilities." It is Dr. Roscoe's view that discovery rates of the recent past have fallen "far short of the amounts that must be found during a like period in the future. . . . A target of something approaching 500,000 tons of new ore reserves by 1975 should evidently be the aim of the industry."

Three-year Program Timed for Upswing

As following pages show SUBEO is participating in uranium areas other than Elliot Lake; but in this District, which is considered to be the world's richest, the holdings of SUBEO are more extensive than those

of any other company. For a three-year-old exploration concern to properly investigate one of the most elaborate land portfolios in the uranium industry obviously will call for expenditures far exceeding the cash resources of this one organization.

Up to now Subeo and the Syndicate have completed the program's first phase consisting of land acquisition, geophysical surveys, geological mapping, an intensive study of the region carried out under direction of E. D. Black and a special study prepared by Dr. S. M. Roscoe reflecting the findings and geological conclusions resulting from 15 years of research on the District. To the present date the organization has invested an amount approaching \$400,000. Second leg of the project is programmed to commence in the spring of 1970 and is expected to take three years to complete. Plans are being formulated now to create and finance a new subsidiary to carry out the balance of this program at a cost of up to \$2 million.

Timing will be vital to the success of this endeavor — starting at a well-probed bottom in terms of activity and attention and catching a tidal swell. The management of SUBEO feels such a bottom is at hand in the early months of 1969. Largely responsible for today's ebb tide in activity and interest has been a rash of rumors concerning new discoveries of a size sufficient to render further uranium exploration unnecessary. In Nickel and Copper such talk has recurred cyclically for decades — and always leads to a lull followed immediately by new shortages and rising prices.

Some see \$15 Uranium in mid 1970s

In more realistic circles we find Sweden producing uranium from shales at a cost obviously exceeding \$10 per lb. and acknowledging that even this source could not generate supply rapidly enough to act as a buttress against a rise to as high as \$15 per lb. in the mid 1970s.

At present rate of operation the Swedish Ranstad plant produces only 156 tons of uranium per year — which is not a tenth of one per cent of present annual Free-World production of 22,600 tons.

Uranium prices in recent years have lagged at levels dictated originally by U.S. production costs of the early 1960s — estimated to average \$5.70 per lb. in a range \$4.00 to \$7.50 per lb. It is significant to note that the comparable figure for Elliot Lake mines averages \$4.50 per lb. in a range of \$3.50 to \$5.50 per lb. But sources from which recovery can be achieved at such costs are running out and by 1966 it was being estimated that to get new production out of Canada would cost closer to \$7.50.

Comparable figures for the U.S. are reflected in a recent cost analysis study by the Getty Oil Company, as reported by R. M. Williams at an April, 1969, meeting of the C.I.M.M. (Canadian Institute of Mining and Metallurgy) which projects even higher prices. Financing and investment return requirements in a free enterprise system, according to the Getty findings, would increase costs of producing uranium from a newly discovered 20 million pound orebody from \$7.70 for "free" capital to a total of \$10.37 for the actual situation.

SUBEO's consultant for Elliot Lake activities, Dr. S. M. Roscoe, has written that such an orebody would be maximum sized for the U.S. even though minimum for Elliot Lake, so that "most new mine developments in the United States may require a price of uranium greater than \$10½ per pound."

Seeking Final Opportunities to Buy Low

In light of these conditions the management of SUBEO feels the company's basic uranium land portfolio has been assembled during a preparatory phase of scooping costs which will not be duplicated once hard facts of supply and demand are more widely understood. The next phase, as SUBEO sees it, will be one of mounting demand for attractive exploration geology and for the services and cooperation of those companies which have pioneered their way successfully through this formative period.

SUBEO, accordingly, continues its drive into areas stretching from Wollaston Lake in the Canadian West to the Otish Mountains and Newfoundland in the East — adding to a land portfolio which now totals almost five million acres.

URANIUM PRODUCTION, PRODUCTIVE CAPACITY, AND REQUIREMENTS, NON-COMMUNIST COUNTRIES¹

(A) PRODUCTION AND PRODUCTIVE CAPACITY

	1959		total 1967		1967		short term capability (3 year lead)	
	tons	%	tons	%	tons	%	tons	%
United States . . .	16,400	38	180,000	45	12,400	55	16,000	42
Canada	15,900	37	100,000	25	4,100	18	11,000	29
South Africa . . .	6,400	15	64,000	16	3,800	17	6,000	16
Others	4,800	11	56,000	14	2,300	10	5,000	13
Total	43,400		400,000		22,600		38,000	

(B) ESTIMATED FUTURE REQUIREMENTS FOR NUCLEAR REACTOR FUEL (Short Tons U₃O₈ per Year)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Minimum	17,000	23,500	28,000	33,000	38,000	43,000	48,000	54,000	60,000	67,000
Maximum	17,000	26,000	34,000	42,000	50,000	59,000	68,000	76,000	88,000	96,000

¹Data and estimates are taken from the report of the European Nuclear Energy Agency — International Atomic Energy Agency (ENEA-IAEA), January 1969

A PROBLEM OF MOUNTING GLOBAL SIGNIFICANCE AND HOW A POSSIBLE SOLUTION BEGINS TO EMERGE

Note on the above scales of anticipated Free World uranium production capacity and estimated future nuclear fuel requirements that two figures blocked in gold correspond. The first 38,000-ton figure in scale "A" shows possible productive capacity after 1970. This same 38,000-ton figure shows on scale "B" that by 1974 envisioned capacity will be fully required whereafter shortages must develop unless new sources are located.

Illustrations at right show the enormity (up to seven miles in length) of known productive uranium zones in Ontario's Elliot Lake/Blind River uranium camp — the world's biggest reasonably assured uranium source. In addition to this camp's 200,000 tons of reserves, experts² have estimated that a potential of 300,000 tons may await discovery within unexplored ground considered favourable for uranium exploration. Geological Consultant Dr. S. M. Roscoe, after 15 years of investigation in the Elliot Lake area, has said in a special report to the Company that more than half of Subeo's 130 square miles of Elliot Lake holdings are in "territory worth exploring for uraniferous conglomerates." It is with such encouragement that the Subeo organization plans to commence a three year exploratory drilling program which will be watched with interest by both producing and consuming arms of the nuclear energy industry.

²Griffith, J. W. and Roscoe, S. M.; Canadian Resources of uranium and thorium; Paper 24, 3rd UN Int. Conf. on the Peaceful Uses of Atomic Energy, Geneva, Sept. 1964.

Figure 6A. Sizes and shapes of deposits

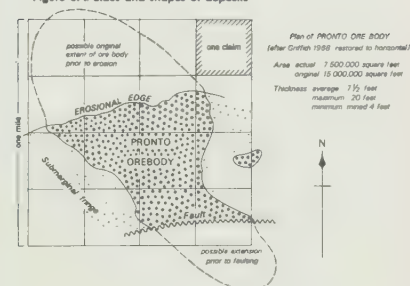
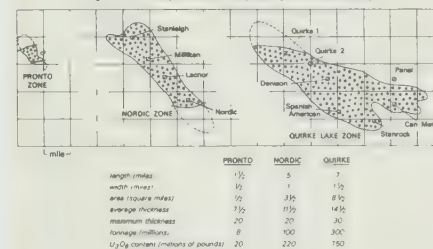


Figure 6B. Comparisons of deposits (after restoration)



Lake
Superior

Regional distribution of Elliot Lake Group of Huronian rocks and known occurrences of uraniferous quartz pebble conglomerate zones

OUTCROP AREAS ELLIOT LAKE GROUP

McKIM FORMATION



Siltstone, argillite

MATINENDA FORMATION (Central and eastern areas)



Quartzite, grit, conglomerate

THESSALON FORMATION (Western area)

STOBIE FORMATION (Eastern area)



Basalt, minor rhyolite and interbedded quartzite, conglomerate

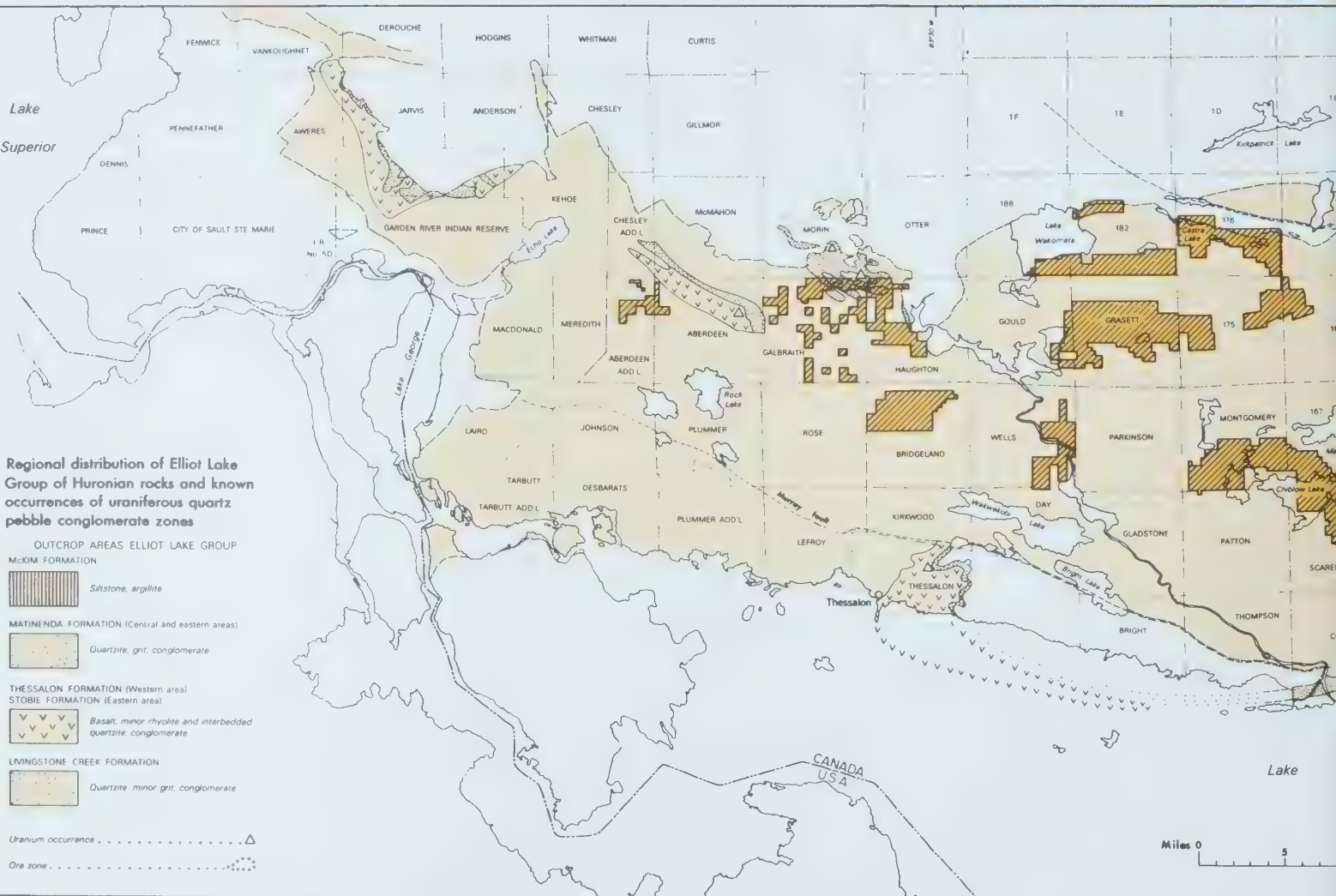
LIVINGSTONE CREEK FORMATION



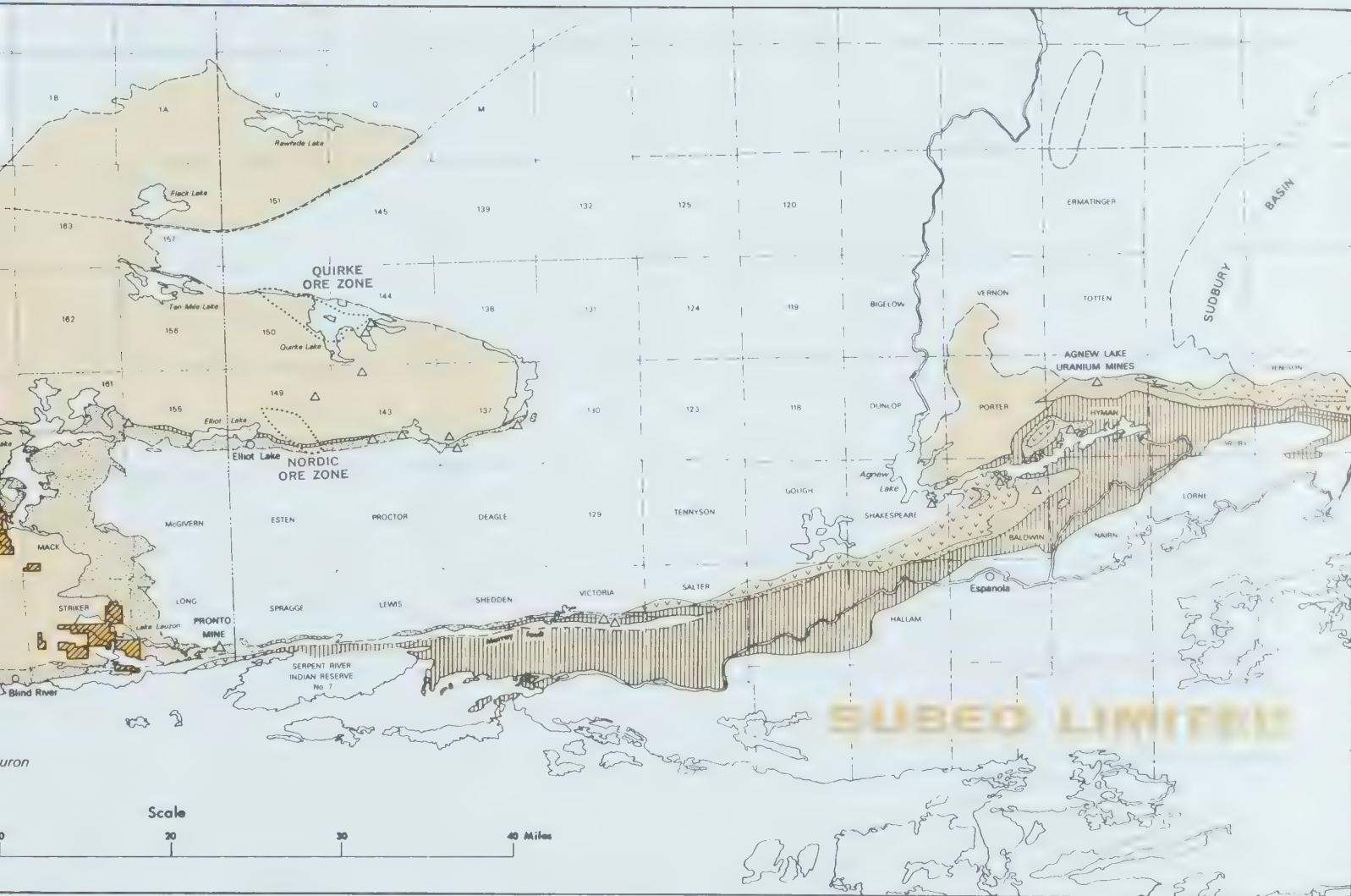
Quartzite, minor grit, conglomerate

Uranium occurrence Δ

Ore zone *



Uranium District



"BELT CONTAINING ONE THIRD OF THE FREE WORLD'S URANIUM"



ASIA

ALASKA

CANADA

Pacific Ocean

UN
STA

AREAS OF ACTIVITY

- Major Exploration Projects
- Major Exploration Joint Projects
- Areas of Intensive Geological Study
- * Gas Production
- ⓔ Executive Offices

● Northern Alberta Projects

● Beaverlodge

● Elliot Lake — Blind River

● Otish Mountains, Quebec

● Mont Laurier, Quebec

● NECUP, Newfoundland

■ Mount-ex British Colum

■ Labrador

■ Africa (Ghana)

■ Australia (Queensland)

■ Greenland (Denmark)

■ Central America (British

AUSTRALIA



SUBEO LIMITED

CURRENT MINERAL PROJECTS

Partners	Participation and sharing of interest	Project Management	District	Principal Mineral Sought	Form of Mineral Rights	Acreage
Ledo Mines Ltd.	80%	Subeo	Athabasca-Beaverlodge, Alberta	Uranium and precious metals	Concession	36,480
	100%	Subeo	Athabasca, Alberta	Uranium and precious metals	Concession	100,000
	100%	Subeo	South Western Ontario	Gas, oil and industrial minerals	Leases	18,470
Radex Uranium Syndicate	65%	Subeo	Elliot Lake/Blind River, Ont.	Uranium	Claims	44,060
	100%	Subeo	Elliot Lake/Blind River, Ont.	Uranium	Claims	18,360
Yellowknife Bear Mines Ltd.	100% **	Subeo	Elliot Lake/Blind River, Ont.	Uranium	Claims	13,600
Sheba Mines Ltd.	80%	Subeo	Elliot Lake/Blind River, Ont.	Uranium	Claims	3,760
	100% **	Subeo	Elliot Lake/Blind River, Ont.	Uranium	Claims	1,760
Atlantic Richfield Company/ Hudson's Bay Oil & Gas Co. Ltd.		Atlantic				
	25%	Richfield	Otish Mountains, New Quebec	Uranium, precious metals	Claims	33,000
	100% **	Subeo	Mont Laurier, Quebec	Uranium	Claims	4,500
Cambridge, Charlott, American Chibougamau Mines Ltd.						
	60%	Subeo	Mont Laurier, Quebec	Uranium	Claims	6,640
	100% ***	Subeo	Mont Laurier, Quebec	Uranium	Claims	45,000
Newfoundland & Labrador Corp. Ltd.	75%	Subeo	Burin Peninsula, Nfld.	Uranium, base metals, precious metals	Concession	256,000
Reid Newfoundland Co. Ltd.						
	100% **	Subeo	Burin and East Section, Nfld.	Uranium, base metals, precious metals	Fee simple	324,000
	100%	Subeo	Burin and East Section, Nfld.	Uranium, base metals, precious metals	Concession	4,352,000
The American Subeo Corporation	—	Subeo	Arizona, U.S.A.	Copper, silver		

All Uranium properties in Canada excepting the Elliot Lake/Blind River, Sudbury and Sault Ste. Marie Mining Districts, have been assigned to the Company's uranium exploration arm, Radex Minerals Limited. In the event of a mineral discovery other than uranium, Subeo retains a first right of refusal to participate at cost up to 50% in the development.

* Subject to royalty.

** Subject to vendors consideration.

PROJECTS AND PROSPECTS UNDER GEOLOGICAL EVALUATION, OR REVIEW, OR NEGOTIATION

Area	Minerals of Interest	Corporate Format
British Columbia (Regional)	Uranium	Syndicate to be formed
Manitoba (Regional)	Base metals	Option
Red Lake, Ontario	Precious metals	Option
Sudbury, Ontario	Uranium and base metals	Grubstake
Noranda-Rouyn, Quebec	Base metals	Option
Happy Valley, Labrador	Uranium and all minerals	Consortium
Seal Lake District, Labrador	Uranium and all minerals	Consortium
Labrador (Regional)	Uranium and all minerals	Consortium
St. Lawrence Basin, Newfoundland	Hydro carbons	Option
Grand Banks, Newfoundland	Hydro carbons	Option

FOREIGN PROJECTS AND PROSPECTS UNDER GEOLOGICAL EVALUATION, OR REVIEW, OR NEGOTIATION

Area	Minerals of Interest	Corporate Format
Arizona, United States	Copper-Silver	New company
Gold Coast, Africa	Precious metals	Syndicate and government
Queensland, Australia	Oil and gas minerals	New company
Greenland (Denmark)	Minerals	Direct
Argentina, South America	Base metals	Syndicate and government
British Honduras, Central America	Minerals	Direct

NEWFOUNDLAND

Encouraging uranium indications and vast land availability have led your Company to make Eastern Newfoundland the target area for one of the most expansive exploration programs ever mounted by an independent organization. To be called NECUP 1969 — for Newfoundland East Coast Uranium Project — this program will be under the direction of Derek Johnston, former Director of Mineral Exploration for the Province of Newfoundland.

Your subsidiary's uranium exploration arm has acquired options on 256,000 acres in the Burin Peninsula from Newfoundland and Labrador Corporation and on some 324,000 acres in East Central Newfoundland from Reid Newfoundland Company Limited. Legislation should be enacted shortly by the Newfoundland Government by which your Company will obtain exclusive mineral exploration rights excepting fluorite and silica on an additional 4,352,000 acres. This year's preliminary exploration phase, first in a four year program, will involve an estimated expenditure of \$75,000.

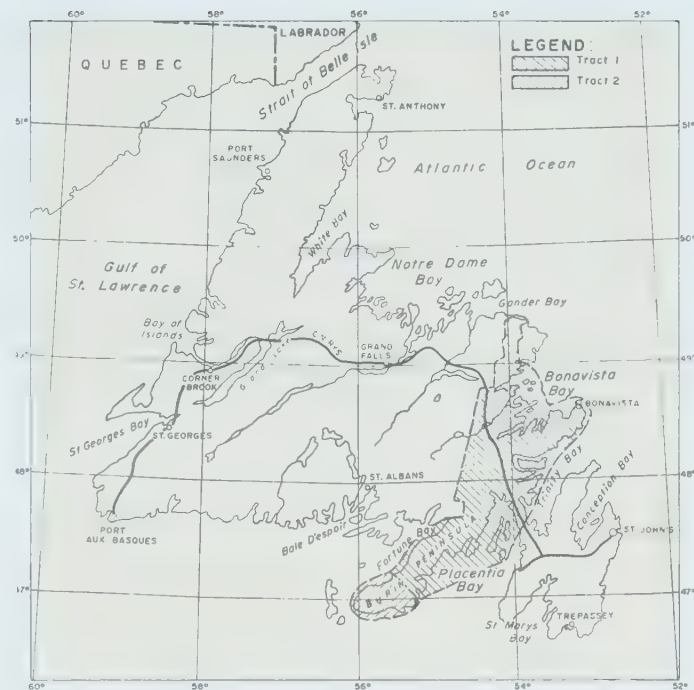
The permit areas embrace a major zone of structural weakness — the hinge-line between the Avalon stable block of Precambrian rocks and the Paleozoic basin to the west. This dominant structural feature has received virtually no organized mineral exploration although the hinge belt contains several geological situations analogous to granitic plutons in the Burin Peninsula which exhibit a uranium content of two to three times background.

Recent announcements by Norlex reporting molybdenite mineralization associated with granitic intrusions in the Lac Racoutre add considerable impetus to the need of a systematic mineral search within this structural belt. With this in mind your management has prepared a program of grass roots exploration in the permit areas.

Reconnaissance hydrogeochemical surveying is now in progress within selected areas of the permit blocks. A Radon 222 survey and uranium water sampling is being conducted by Projex (Phelan & Associates). Within geological units considered potentially favourable for copper-molybdenum mineralization the geochemical program is being expanded to include analyses for these metals. An airborne radiometric survey covering 20,000 line miles will be underway in the immediate future.

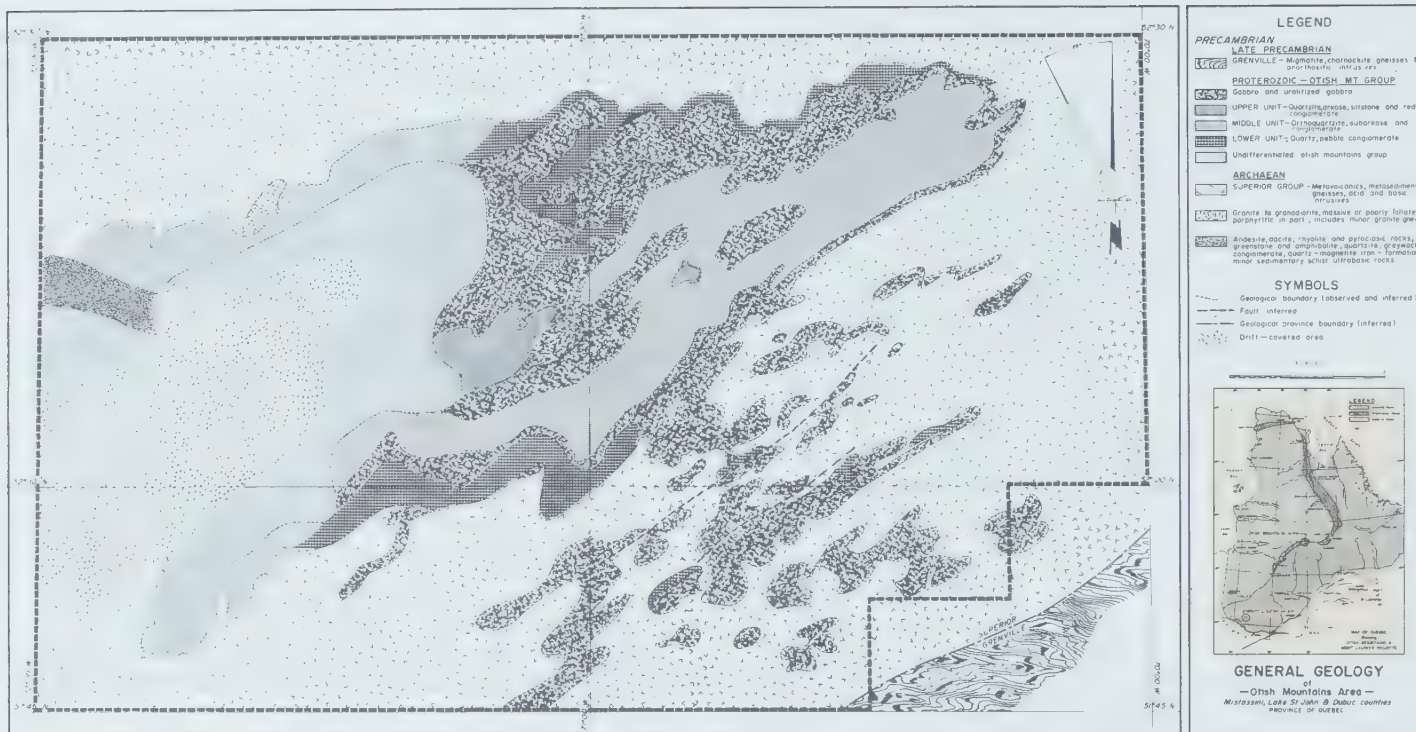
In addition to providing regional geochemical coverage within sections of the concession, the 1969 field program is considered a preliminary investigation to provide background data on geochemical noise within the various geological units prior to launching full scale exploration in the total permit areas.

As a function of Subeo philosophy — that of a primary exploration unit — full use will be made of the most recent scientific and technological advances. Interpretations of geological, radiometric and geochemical information will incorporate the use of computer analysis to allow rapid compilation and statistical evaluation of the numerous variables inherent in systematic mineral exploration.



MAP OF NEWFOUNDLAND
Showing
NEWFOUNDLAND PROJECT AREA

The Newfoundland project has been assigned to the Company's uranium exploration arm, Radex Minerals Limited. In the event of a mineral discovery other than uranium, Subeo retains a first right of refusal to participate at cost in the development.



OTISH MOUNTAINS

Among the few areas in Canada — or the world — which could yield uranium occurrences similar to those of Elliot Lake, the most impressive at this time is the Otish Mountains region of New Quebec. As in Elliot Lake, basal conglomerates comprise the host material for uranium and thorium. Additionally, there are gold values which further heighten the similarity not only to Elliot Lake but to the Free World's other major conglomeritic occurrences in Witwatersrand, South Africa.

Subeo and Associates became involved here when an airborne radiometric survey resulted in the staking of 75 claims. An exploration program carried out last summer led to the staking of five additional claims with results in the area proving sufficiently encouraging to attract the attention of Atlantic Richfield and Hudson's Bay Oil & Gas.

These majors took equal interest in a joint venture covering 5,000 square miles in which a 25 per cent interest has been retained by Subeo's exploration arm, Radex Minerals Limited. The first \$100,000 expended by the joint venture shall be invested by Atlantic Richfield and Hudson's Bay with expenses thereafter being borne in accordance with the three parties' respective interests.

Radex will receive a royalty of 3 per cent of the value of gross commercial production of ore from the area covered by the joint interest and will receive a minimum advance royalty of \$20,000 beginning within one year after any commencement of commercial ore recovery. It is expected that Atlantic Richfield as operator will conduct a sophisticated and thorough exploration program; and your Company's management considers this association to be of great significance.

NORTHEASTERN ALBERTA

Airborne radiometric surveying is currently underway on permit areas in North-eastern Alberta. Subeo's uranium exploration arm has an option to earn an 80% interest in Permit 31 which is now held by Ledo Mines Ltd. The permit covers an area of 36,480 acres.

Two anomalous zones have been disclosed during the early stages of the ground prospecting, and geological field parties are now moving into the area for detailed evaluation. Completion of the airborne survey, detailed prospecting and geological follow-up will comprise the initial stage of a systematic search for uranium within the Permit.

The recent discovery of uranium in the Wollaston Lake fold belt has sparked considerable interest in similar linear geological features in the Athabasca region and has added further justification to your organization's proposed exploration plans.

Since year end Permits 117 and 118 totalling 100,000 acres were acquired and are currently being surveyed.

All of the above permits have been assigned to Subeo's uranium exploration arm, Radex Minerals Limited. In the event of a mineral discovery other than uranium Subeo retains a first right of refusal to participate at cost in the development.

MONT LAURIER

Subeo-Radex has enlarged its land position to 57,000 acres in the Mont Laurier area of Quebec. The continued interest and enlarged exploration activity by Johns-Manville Company Ltd. and the numerous reports of uranium finds by other companies in the area reflect aspirations that the Mont Laurier uranium play will result in discovery of economic deposits.

Geologically the area represents an old sedimentary basin of Huronian age which has been folded and injected with granitic rocks. Typical of formations found in the Grenville sub-province of the Precambrian, the area represents an untested potential source of uranium. The basal members of the sediments and the granitic pegmatites provide the two possible sources of uranium.

Since its introduction into the Mont Laurier area through the initiation of a grubstake which led to staking of 120 claims in late 1968, the Organization has increased its holdings to seven properties totalling 827 claims. Results of airborne radiometric and geochemical surveying which are presently underway will direct the second phase 1969 field program — detailed ground radiometric surveying, biochemical sampling and prospecting.

The increased land portfolio reflects Subeo's policy to achieve vertical as well as horizontal spreading of risks by assisting smaller companies which have encountered mining prospects of interest but lack adequate exploration funds.



J. A. Macdonald, Subeo's Chief of Uranium Exploration: "If anyone finds and successfully develops a uranium analogue to the huge porphyry copper deposits, perhaps as a result of a breakthrough in 'insitu' leaching techniques; then present known and yet to be discovered low grade uraniferous areas could yield a significant increase in productive capacity and dramatically improve the long term outlook for new uranium reserves" — "... the Mt. Laurier area in Quebec may hold such potential".

Junior partners with which such arrangements have been made are Cambridge Mining Corp. Ltd., Charlor Explorations Limited and American Chibougamau Mines Limited. Also in the Mont Laurier area under the management of Radex, your Company is proceeding with exploration on the Rosenblat Grubstake and on the Subeo-Vezina option.

All of the above permits have been assigned to Subeo's uranium exploration arm, Radex Minerals Limited. In the event of a mineral discovery other than uranium Subeo retains a first right of refusal to participate at cost in the development.

SUBEO LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — A

(With comparative figures)

ASSETS		1968	1967
CURRENT			
Cash and short term deposits		\$ 94,454	82,016
Accounts receivable		3,594	4,298
Supplies of casing		4,100	4,100
Prepaid expenses		4,250	
Cash and short term deposits held for exploration programme — per contra			20,000
		<u>\$106,398</u>	<u>110,414</u>
INVESTMENTS AND INTERESTS			
Radex Minerals Limited (Note 1)			
200,000 shares — at cost (Quoted market value — \$220,000)		\$200,000	
487,500 shares — at cost (held in escrow) (No quoted market value)		19,500	
		<u>\$219,500</u>	
		<u>\$325,898</u>	<u>110,414</u>
MINING PROPERTIES — at cost (Note 2)		<u>\$101,657</u>	
FIXED			
Pipeline and equipment — at cost		\$ 75,287	20,216
Well casing — at cost		32,337	32,337
		<u>\$107,624</u>	<u>52,553</u>
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES		<u>\$231,253</u>	<u>147,508</u>
OTHER			
Deposit with Province of Ontario			
\$5,000 5¾ % Province of Ontario bonds due March 1, 1986 — at cost		\$ 4,912	4,912
Expenditures on Arizona project			7,000
Incorporation expenses		1,390	1,390
		<u>\$ 6,302</u>	<u>13,302</u>
		<u>\$772,734</u>	<u>323,777</u>

DECEMBER 31, 1968

res for 1967)

LIABILITIES

	1968	1967
CURRENT		
Bank loans	\$ 7,500	11,025
Accounts payable and accrued charges	36,380	17,745
Notes payable — due June 30, 1969	75,000	
Provision for unexpended portion of exploration programme — per contra		20,000
	<u>\$118,880</u>	<u>48,770</u>
LONG TERM		
Notes payable — 7% due June 30, 1969		100,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 3)

Authorized

200,000 Class 'A' preference shares without par value

2,000,000 Common shares without par value

Issued

100,000 Class 'A' preference shares (held in escrow)	\$ 10,000	10,000
1,264,007 Common shares (1967 — 1,000,007)	722,857	165,007

DEDUCT — DEFICIT

Expenditures on Arizona project written off (Note 6)	79,003	
	<u>653,854</u>	<u>175,007</u>

Approved by the Board:

D. J. Happy, Director.

H. H. Wright, Director.

The attached notes form an integral part of these financial statements.

<u>\$772,734</u>	<u>323,777</u>
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AUDITORS' REPORT

To the Shareholders,

We have examined the balance sheet of Subeo Limited as at December 31, 1968 and the statements of deferred exploration and administrative expenses and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period, except for the change, with which we concur, in accounting for certain costs as stated in Note 4 to these financial statements.

Toronto, Ontario,
May 7, 1969.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Sale of treasury shares — common	\$557,850	
Natural gas sales	13,802	18,801
Issue of long term note payable		100,000
	<u>\$571,652</u>	<u>118,801</u>
USE OF FUNDS		
Deferred expenses		
Exploration	\$ 58,141	18,538
Administrative	39,406	13,900
Additions to fixed assets	55,071	36,752
Note payable		
Amount paid thereon	25,000	
Transferred to current liabilities	75,000	
Mining properties acquired	101,657	
Expenditures on Arizona project	72,003	7,000
	<u>\$426,278</u>	<u>76,190</u>
Increase in working capital	\$145,374	42,611
Working capital at beginning of year	61,644	19,033
Working capital at end of year	<u>\$207,018</u>	<u>61,644</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1968

1 Each share of Radex carries one Share Purchase Warrant entitling the holder thereof, as at June 30, 1969, to purchase one-half of one additional share of Radex.

2 MINING PROPERTIES

79 unpatented claims in Bridgland, Striker, Grasset and Gould Townships, Ontario, acquired for cash	\$ 4,345
65% interest in 1,023 claims — Blind River and Elliott Lake, Ontario	97,312
	<u>\$101,657</u>

3 CAPITAL STOCK

(a) Class 'A' preference shares may be converted at any time during a period not exceeding five years from the date of incorporation of the Company January 10, 1966 by the holders thereof into fully paid common shares of the Company on the basis of one common share for each Class 'A' preference share.

(b) Capital stock has been issued during the year for the following consideration.

Common	Number of Shares	Amount
Issued for cash	115,000	\$252,500
Issued to acquire shares of Radex Minerals Limited	100,000	200,000
Issued to acquire additional interest in uranium syndicate	49,000	105,350
	<u>264,000</u>	<u>\$557,850</u>

(c) OPTIONS OUTSTANDING

	Date	Shares	Price	Expiry Date
(1) To a director	January 30, 1968	10,000	\$2.30 plus annual increment of 5%	open
(2) To a director	July 25, 1968	25,000	\$2.35 plus annual increment of 5%	July 25, 1973
(3) To a director	July 25, 1968	20,000	\$2.10 plus annual increment of 5%	July 25, 1973
			(subject to minimum term of employment)	

4 During the year the Company reclassified certain costs charged to Deferred Exploration in 1967, as follows:

Supplies of casing	\$ 4,100
Pipeline and equipment	2,555
Well casing	32,337

The 1967 figures have been restated to conform with the above reclassification

5 Executive and senior officers remuneration

1968	\$ 7,700
1967	6,425

6 Subsequent to December 31, 1968, the Company received 80,000 shares of the American Subeo Corporation in consideration for the expenditure of \$79,003 on the Arizona project.

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Year Ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
EXPLORATION		
Drilling	\$ 20,851	74,489
Geophysical survey	19,007	
Consulting fees	16,930	691
Lease acquisition and rental expenses	13,526	24,183
Legal fees	605	1,510
Insurance	404	
Travel expense	3,873	1,888
Field operating costs	5,316	1,327
	<u>\$ 80,512</u>	<u>104,088</u>
Balance at beginning of year	221,727	117,639
Balance at end of year	<u>\$302,239</u>	<u>221,727</u>
Less: Share contributed by exploration participants:		
Contributed in the year	\$ 22,371	85,550
Balance at beginning of year	85,550	
Balance at end of year	<u>\$107,921</u>	<u>\$ 85,550</u>
Total exploration	<u>\$194,318</u>	<u>136,177</u>
ADMINISTRATIVE		
Executive salaries	\$ 6,000	6,000
Directors' fees	1,700	425
Printing and stationery	3,287	2,187
Legal fees	4,244	2,829
Accounting and audit fees	2,108	3,525
Insurance	1,102	
Transfer agents' fees	775	766
Canadian Stock Exchange	531	913
Office accommodation and services	18,437	
Bank charges and interest	817	720
Interest on promissory notes	7,917	
Miscellaneous	1,237	1,315
	<u>\$ 48,155</u>	<u>18,680</u>
Balance at beginning of year	30,132	16,232
Balance at end of year	<u>\$ 78,287</u>	<u>34,912</u>
Less: Management fees	\$ 6,000	4,000
Interest earned	2,749	780
	<u>\$ 8,749</u>	<u>4,780</u>
Total administrative	<u>\$ 69,538</u>	<u>30,132</u>
TOTAL DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES	<u>\$263,856</u>	<u>166,309</u>
Deduct: Natural gas sales:		
Earned in the year	\$ 13,802	18,801
Balance at beginning of year	18,801	
	<u>\$ 32,603</u>	<u>18,801</u>
NET DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES	<u>\$231,253</u>	<u>147,508</u>

SUBEO LIMITED

(Incorporated under the laws of the Province of Ontario)

COMBINED BALANCE SHEET (Note 1) — AS AT DECEMBER 31, 1968

ASSETS			
CURRENT			
Cash and short term deposits	\$131,263		
Accounts receivable	14,412		
Marketable securities — at cost (Quoted market value \$392,601)	404,438		
Supplies of casing	4,100		
Prepaid expenses	4,250		558,463
MINING PROPERTIES — at cost (Note 2)			188,857
FIXED			
Pipeline, equipment and well casing — at cost			107,624
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES			264,648
OTHER			
Deposits with Provincial Governments (Government bonds at cost)	\$ 6,967		
Incorporation expenses	11,072		18,039
			<u>\$1,137,631</u>
LIABILITIES			
CURRENT			
Bank loans	\$ 7,500		
Accounts payable and accrued charges	42,730		
Notes payable — due June 30, 1969	75,000		125,230
OUTSIDE INTERESTS IN RADEX MINERALS LIMITED			409,252
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 4)			
Authorized			
200,000 Class 'A' preference shares without par value			
2,000,000 Common shares without par value			
Issued			
100,000 Class 'A' preference shares (held in escrow)	\$ 10,000		
1,264,007 Common shares	\$722,857		
100,000 shares held by Radex Minerals Limited	200,000		
<u>1,164,007</u>		522,857	
		<u>\$532,857</u>	
DEFICIT			
Expenditures on Arizona project written off (Note 9)	\$ 79,003		
Less: Realized gain on sale of marketable securities	1,442		
		77,561	
		<u>\$455,296</u>	
EXCESS OF INTEREST IN BOOK VALUE OF NET ASSETS OF RADEX MINERALS LIMITED OVER COST OF INVESTMENT THEREIN		147,853	603,149
Approved by the Board:			<u>\$1,137,631</u>
D. J. Happy, Director.			
H. H. Wright, Director.			

The attached notes form an integral part of this financial statement.

REPORT TO THE SHAREHOLDERS

The attached balance sheet has been prepared on a combined basis from the audited financial statements of Subeo Limited and Radex Minerals Limited as at December 31, 1968.

Toronto, Ontario,
May 7, 1969.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

NOTES TO COMBINED FINANCIAL STATEMENT

December 31, 1968

1. The accompanying combined balance sheet includes the accounts of the Company and those of Radex Minerals Limited, in which the Company has a 47.4% interest.

2. Mining Properties

(a) The Company	\$101,657
(b) Radex Minerals Limited	
75 claims — Otish Mountains, Quebec, acquired for 750,000 treasury shares of Radex Minerals Limited	
@ 10¢ per share	75,000
120 claims — Maniwaki, Quebec, acquired for cash	7,200
Payment on permit under Option (Note 3)	5,000
	<u>\$ 87,200</u>
	<u>\$188,857</u>

3. Radex Minerals Limited will acquire an 80% equity in the permit referred to in Note 2 by the expenditure of \$25,000 on exploration and development thereof, and payment of lease rentals over a two year period.

To maintain its interest, Radex Minerals Limited shall have the right within a specified time to:

- (a) Incorporate a new company to acquire its interest for treasury shares, or
 (b) Expend an additional \$125,000 in exploration and development of the permit over a further period of two years.

4. Capital Stock — See Statutory Accounts (Note 3).

5. 100,000 shares of Radex Minerals Limited have been reserved under a stock option plan for its directors, executives and employees. Options are issuable under the plan at the market price on the date of issuing the option subject to increments of 5% per year for a period of five years, the duration of the option granted under the plan. No warrants are available with the issue of these shares.

Options have been granted on 50,000 shares of Radex Minerals Limited at \$1 per share exercisable on or before July 1, 1973. Under the terms of an indenture dated April 25, 1968, Radex Minerals Limited (with 1,450,005 shares outstanding) has agreed to issue 500,000 share purchase warrants to certain of its shareholders other than Subeo Limited, and 200,000 share purchase warrants to Subeo Limited, covering the right to purchase 350,000 shares of treasury stock as follows:

From July 1, 1969 to June 30, 1971 @ \$1.50 per share
 From July 1, 1971 to June 30, 1973 @ \$1.75 per share
 From July 1, 1973 to June 30, 1974 @ \$2.50 per share

Radex Minerals Limited has covenanted in the indenture not to declare any dividends on its shares for one year from the date of the indenture and to give at least thirty days' public notice to holders of unexercised share purchase warrants of the record date for payment of any stock dividend on its shares and before issuing to its shareholders pro-rata rights to subscribe for additional shares or making any repayment of capital on its shares.

The warrants will expire at the close of business on June 30, 1974. 350,000 shares of the capital stock of that company are being reserved for the exercise of warrants, under the terms of the said indenture.

6. See Statutory Accounts (Note 5).
 7. Comparative Figures for 1967 have not been included since the investment in shares of Radex Minerals Limited was not acquired until 1968.
 8. See Statutory Accounts (Note 4).
 9. See Statutory Accounts (Note 6).

SUBEO LIMITED
INTERIM BALANCE SHEET

AS AT JUNE 30, 1968

(With comparative figures for 1967)

ASSETS

	1968	1967
CURRENT		
Cash and short term deposits	69,579	2,167
Accounts receivable	4,101	8,689
Funds held for exploration programme - per contra		+2,616
Supplies of casing - estimated	10,000	
Prepaid expenses	<u>100</u>	<u>195</u>
	\$ 83,780	13,667
INVESTMENTS AND INTERESTS		
Deposit with Province of Ontario		
\$5,000 5-3/4% Province of Ontario		
bonds due March 1, 1986 - at cost	\$ 4,912	4,912
Radex Uranium Syndicate - 65% interest	<u>121,350</u>	<u></u>
Advances to The Subeo Corporation (U.S.)	<u>75,792</u>	<u></u>
	\$ 202,054	4,912
FIXED		
Pipeline and equipment - at cost	\$ 24,797	15,801
Well casing - estimated	<u>28,207</u>	<u></u>
	\$ 53,004	15,801
DEFERRED		
Exploration Expense	\$ 147,384	135,387
Administrative expense	<u>46,772</u>	<u>24,953</u>
	\$ 194,156	160,340
Less: Natural gas sales	<u>24,720</u>	<u>10,110</u>
	\$ 169,436	150,230
OTHER		
Incorporation expense	\$ 1,390	1,390
	<u>\$ 509,664</u>	<u>186,000</u>

LIABILITIES

	1968	1967
CURRENT		
Bank loans	\$ 12,500	
Accounts payable and accrued charges	<u>17,357</u>	<u>8,377</u>
Provision for unexpended portion of		
exploration programme - per contra		<u>2,616</u>
	\$ 29,857	10,993
LONG TERM		
Notes payable - due June 30, 1969		
and bearing interest at 7% per annum (Note 4)	\$ 100,000	
Note payable - due June 30, 1970		
and bearing interest at 7% per annum	<u>15,700</u>	<u></u>
	\$ 115,700	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 1 and 2)

Authorized			
200,000 Class 'A' preference shares without par value			
2,000,000 Common shares without par value			
Issued			
	Number of	Amount	
	Shares		
Class 'A' preference	<u>100,000</u>	<u>\$ 10,000</u>	10,000
Common			
Balance January 1	1,000,007	165,007	165,007
Issued for cash	<u>40,000</u>	<u>83,750</u>	
Issued for interest in			
Radex Uranium Syndicate	<u>49,000</u>	<u>105,350</u>	
Balance June 30	<u>1,089,007</u>	<u>\$ 354,107</u>	<u>354,107</u>
		<u>\$ 364,107</u>	<u>175,007</u>
		<u>\$ 509,664</u>	<u>186,000</u>

SUBEO LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1968

1. Capital Stock

(a) Class 'A' preference shares may be converted at any time during a period not exceeding five years from the date of incorporation of the Company January 10, 1966 by the holders thereof into fully paid common shares of the Company on the basis of one common share for each class 'A' preference share.

(b) The 100,000 Class 'A' preference shares are being held in escrow, subject to release pro rata on the written consent of the Ontario Securities Commission and the Board of Directors of the Company and subject to transfer, hypothecation and/or alienation within the escrow on the written consent of the Ontario Securities Commission. Provided, however, upon the surrender of said shares for conversion into common shares, they may automatically be released from escrow without the consent of the Ontario Securities Commission.

2. Stock Options Outstanding

	Date	Shares	Price
To an employee (subject to minimum term of employment)	January 30, 1968	10,000	\$2.30 plus annual increment of 5%

3. Radex Minerals Limited

By agreement dated April 25, 1968 and completed on July 25, 1968 the Company exchanged treasury shares with Radex Minerals Limited on the following basis:

200,000 shares of \$1.00 each of Radex Minerals Limited acquired in exchange for 100,000 shares of \$2.00 each of Subeo Limited.

The share exchange is subject to the following terms and conditions:

- (1) The shares of Radex and Subeo shall be held by Radex and Subeo respectively for investment purposes and not for resale or distribution.
- (2) Each share of Radex exchanged will carry one Share Purchase Warrant entitling the holder thereof as at June 30, 1969 to purchase one-half of one additional share of Radex for each share of Radex exchanged hereunder and then held.

4. Long Term Liabilities

Management intends to refinance the note payable for \$100,000 prior to the due date.

Sub
**SUBEO
LIMITED**

INTERIM REPORT

June 30, 1968

TO THE SHAREHOLDERS

September 5, 1968

INTERIM REPORT for the six months ended June 30, 1968.

During the past two months, since your directors last reported to you, significant progress has been made in our various areas of activity. This report will bring you up to date on our projects.

Gas and Oil Development

The Verschoyle gas field, of which Subeo owns 50%, is presently being connected to the Central Pipe Line Company Limited system and production will begin later this fall. A contract with Central Pipe Line is in the final stage of negotiation. Agreement has been reached to acquire the other 50% interest in this field on a favourable deferred cash payment plan.

Production from the Townsend gas field was down for the period with revenue at \$5,919 compared to \$10,110 for the similar period in 1967. Subeo's production was shut down for a period of four months due to a vapour problem which has since been corrected by the installation of a dehydrator. Furthermore, the company plans the installation of a compressor within the next few weeks which is expected to increase production significantly.

Newfoundland

Subeo is currently negotiating oil and gas and mineral concessions in Newfoundland. Details of these acquisitions will be reported to you as they become available.

Radex Minerals Limited (47% owned by Subeo Limited)

The public offering of \$500,000 of Radex Minerals common stock was successful and Radex has now completed the first phase of its exploration program in the Otish Mountains. This exploration consisted of line cutting, mapping and a gamma ray spectrometer survey. The analysis of the results of this exploration is now underway.

It is of interest to note that the Otish Mountains area has been the scene of a great deal of exploration activity this season. At present, it is reported that seventeen field parties are carrying out exploration programs in the area. Noranda is now drilling and Soquem and Rio Algom are aggressively staking available claims in the immediate vicinity of those held by Radex. The possibility for discovery in the Otish is encouraging.

Radex is also finalizing the acquisition of certain mineral rights in Newfoundland and expects to commence exploration this fall.

Radex Uranium Syndicate (65% controlled by Subeo)

A contract was recently signed with Lockwood Air Survey Corporation Limited to carry out a complete geophysical survey of the Syndicate's Elliot Lake claims.

The Radex Uranium Syndicate land portfolio of some 40,000 acres constitutes the industry's largest unexplored mineral holdings. The present exploration program is expected to provide sufficient assessment work to hold the lands in good standing until December 1970, after which time the Syndicate plans to engage in a systematic drilling program.

Uranium Exploration — Elliot Lake

Subeo is arranging the acquisition of additional 387 claims in the Elliot Lake area, which will also involve a fall drilling program to be carried out jointly with several other companies.

Northeastern Alberta Mineral Exploration

Negotiations are also being finalized to acquire an 80% interest in 36,480 acres, Permit No. 31, on which it is planned to commence exploration this fall.

Financial

Subeo's Balance Sheet has been included with this report as significant changes have occurred since our last report. You will note the healthy working capital position as well as the greatly increased net worth.

These statements do not reflect the Company's investment in Radex Minerals Limited which was transacted in July. Subeo now holds 200,000 shares of Radex Minerals Limited directly besides its indirect interest through the Radex Uranium Syndicate (65% owned by Subeo) which owns 750,000 shares.

During the past two years Subeo has carefully assembled a land portfolio representative of the most promising uranium prospecting areas in North America, including the Beaverlodge, the Blind River, the Otish in Quebec, the Kaipokok in Labrador and the Burin Peninsula in Newfoundland.

The first phase of this program consisted of regional geological research, and reconnaissance exploration which led to the direct acquisition by staking and/or applying for mineral permits, as well as by negotiating options on properties of merit.

The second phase which is well advanced consists of the detailed geophysical and geological investigation of the various prospects, after which it is planned to commence a program of farmouts. To this point Subeo will have invested \$500,000 and will require from its prospective partners exploration expenditures involving several million dollars.

It is the goal of your management to initiate, package, merchandise, and retain interests in primary exploration ventures the world over.

On behalf of the Board,

Denis J. Happy,
President.

SUBEO LIMITED INTERIM STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSE FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for 1967)

	1968	1967
EXPLORATION		
Drilling	\$ 21,536	40,498
Lease acquisition and rental expenses	8,293	6,478
Legal fees	200	541
Travel expense	1,993	1,555
Field operating costs	3,328	1,130
	\$ 35,350	50,202
Balance at beginning of period (adjusted)	219,956	117,639
Balance at end of period	\$ 255,306	167,841
Less: Share contributed by exploration participants		
Contributed in the period	\$ 22,371	32,454
Balance at beginning of period (adjusted)	85,551	
Balance at end of period	\$ 107,922	32,454
Total exploration	\$ 147,384	135,387
ADMINISTRATIVE		
Executive salaries	\$ 3,000	3,000
Directors' fees	600	425
Printing and stationery	1,968	1,514
Legal fees	1,798	925
Accounting and audit fees	1,048	1,393
Transfer agents' fees	714	378
Canadian Stock Exchange	250	712
Rent	5,400	
Bank charges and interest	482	
Interest and promissory notes	4,250	
Miscellaneous	657	692
	\$ 20,227	9,039
Balance at beginning of period	30,132	16,232
Balance at end of period	\$ 50,359	25,271
Other income	\$ 3,587	318
Total administrative	\$ 46,772	24,953
TOTAL DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES	\$ 194,156	160,340
Deduct: Natural gas sales		
Earned in the period	\$ 5,919	10,110
Balance at beginning of period	18,801	
	\$ 24,720	10,110
NET DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES	\$ 169,436	150,230

INTERIM STATEMENT OF SOURCE AND USE OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Sale of treasury shares	\$ 83,750	
Natural gas sales	5,919	10,110
Advances received	15,700	
Supplies of casing re-allocated from deferred exploration expense	10,000	
	\$ 115,369	10,110
USE OF FUNDS		
Deferred expenses		
Exploration	\$ 12,979	17,748
Administrative	16,640	8,721
Addition to pipeline equipment	4,581	
Interest acquired in other projects	74,792	
	\$ 108,992	26,469
Increase (decrease) in working capital	\$ 6,377	(16,359)
Working capital — beginning of period	47,544	19,033
Working capital — end of period	\$ 53,921	2,674